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IN

SUBJECT: New Delhi Weekly Econ Office Highlights for the Week of
September 14-17, 2009

REFTEL:

¶1. (U) Below is a compilation of economic highlights from Embassy
New Delhi for the week of September 14-17, 2009, including the
following:

- Financial Sector Reforms Still In Play
- Invest India to Boost Foreign Investment
- DOT to Allow Remote Access Monitoring

Financial Sector Reforms Still In Play

¶2. (U) Finance Minister Pranab Mukherjee recently told the media
that the government was committed to financial sector reforms in the
insurance, banking, and pension sectors. However, Minister
Mukherjee made it clear that he could not give a timeframe but would
work as fast as possible to carry out these reforms.

¶3. (U) State Finance Minister Namo Narain Meena gave similar
assurances, stating that the government would introduce to
Parliament the Insurance Amendment Bill after it receives
recommendations from Parliament's Standing Committee on Finance. The
Insurance Amendment Bill seeks to raise the foreign direct
investment (FDI) limit in the insurance sector to 49% from the
current 26%. Minister Meena also said that the government is
"actively considering" enactment of the Pension Fund Regulatory and
Development Authority (PFRDA) Bill, which would give statutory
powers to the PFRDA, which is currently operating on an interim
basis. The PFRDA Bill would empower the PFRDA to regulate the new
pension scheme as well as pension funds. If passed, the PFRDA bill
would allow FDI for the pension sector equal to the FDI limit in the
insurance sector.

¶4. (U) Without mentioning any specific bills, Minister Mukherjee
said that the government was committed also to reforms in the
banking sector. Of the several different banking bills that need to
be introduced to Parliament after lapsing at the time of the
April/May elections, the most crucial one for foreign investors is

the Banking Regulation Bill, which would give voting rights to foreign shareholders in private banks equal to their percent of ownership. At present, foreign shareholders may own up to 74 percent of private banks but receive only a maximum 10 percent of the voting rights. The banking bill would also require approval from the Reserve Bank of India of any purchase of more than five percent equity in any bank.

¶15. (SBU) Comment. After little mention of financial sector reforms in the July budget or movement on any of the possible bills during the July/August Parliamentary session, investors and the business community are concerned about the GOI's commitment to reform and remain so despite periodic statements such as these by Minister Mukherjee and Mr. Meena. Only concrete action in the November/December Parliamentary session will change the business community's opinion. End comment.

Invest India to Boost Foreign Investment

¶16. (U) The Commerce Ministry through its Department of Industrial Policy and Promotion (DIPP) and the Federation of Indian Chambers of Commerce and Industry (FICCI) have established a non-profit company, Invest India, to showcase India as an attractive investment country. FICCI and DIPP will own 51 and 49 percent respectively with each having six directors. FICCI will provide the administrative and management support for day-to-day functioning of the company.

¶17. (U) Invest India will be the first point of contact for foreign investors, helping foreign investors identify investment opportunities and facilitating setting up businesses in India. It

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also will conduct capacity-building exercises at the state level to create an investor-friendly environment. The company will not duplicate functions of the Finance Ministry's Foreign Investment Promotion Board's, as the main aim of Invest India would be to bridge the information gaps for investors.

¶18. (U) Comment. Any efforts to make investing easier would be welcome by foreign investors as it appears that India may need to be more aggressive in attracting investment. Foreign direct investment in July rose by 56% to \$3.52 billion versus \$2.25 billion in July 2008 but is down 15 percent for the April - July period. Investment from foreign institutional investors is also down 13 percent for the April - July period.

DOT to allow Remote Access Monitoring

¶19. (U) Associate General Counsel of Verizon Business confirmed to Econ staff that the GOI Department of Telecom (DOT) has agreed to allow remote access monitoring by international long distance telecom service providers.

¶110. (U) Currently, the Ministry of Home Affairs and the Intelligence Bureau allow limited remote access from certain international locations. According to Verizon, the DOT agreed in principle to allow remote access to foreign telecom operators, which will allow user information to be sent to global network operations control centers located outside India.

¶111. (U) Major foreign telecom providers such as AT&T, Verizon, Cable & Wireless, British Telecom, and France Telecom have long demanded remote access monitoring for its Indian services. The U.S. business community regularly raised this issue in the U.S.-India Information Communication Technology Dialogue. Foreign telecom operators have assured the DOT that a mirror image of remote access information will be made available online to Indian security agencies and they will maintain a complete audit trail of remote access activities for six months in line with existing regulations. DOT and the Association of Competitive Telecom Operators, an industry organization representing foreign telecom carriers in India, have also constituted a group that will include representatives from the Intelligence Bureau to formulate a uniform technical trail for

remote access.

¶12. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>.

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